

# Welcome to Multi-Family Housing

## A Time of Big Changes



**April 12, 2006, presentation by:**  
**Larry Anderson,**  
**Assistant Deputy Administrator,**  
**Multi-Family Housing**  
**Rural Housing Service -**  
**[laurence.anderson@wdc.usda.gov](mailto:laurence.anderson@wdc.usda.gov)**

# MFH - A time of BIG Changes

Leaders are committed to change

Issued huge change with 3560

Court found prepayment statute can  
cause damages

- Katrina response - yes we can!

Centralized MFH payments work

CPA issued - our blueprint for  
revitalization - legislation developed

# MFH in FY 2006 - KEY Goals

Spend Program Money

Successfully Launch demos

Fix handbooks

Build better working relationships

## 06 - KEY Goal - spend money

538 - NOFA out - can be used to  
revitalize 515

515, 514/516, 533, and 521

1940-L and NOFA's released

No RA for new construction 515

Continue to manage opportunity RA

# ***Farm Labor (514/516)***



- 2,040 units were built or renovated.
- More than \$64 million in loan/grants.
- Attracted approx. \$1.50 from other sources for each RD dollar spent.

# ***Rural Rental Housing 515***

- More than 5,700 units were built, renovated or preserved.
- More than \$99 million in loans/grants.
- Approx. \$.85 from other sources for each RD dollar spent.



## ***Rental Assistance (521)***

- Approx. 55,000 families were assisted.
- Approx. \$587 million for renewal contracts.

# ***Housing Preservation Grant (533)***

- 2,108 units were repaired.
- Approx. \$8.5 million in grants.
- More than \$2.80 from other sources was used for each RD dollar spent.



# ***Guaranteed Rural Rental Housing (538)***

- 3,313 units were built.
- Approximately \$99 million in loans.
- More than \$3.40 from other sources for each RD dollar spent.

# ***Revitalization Demonstration Program***

- 5 deals closed in FY '05.
- Approx. 130 units renovated.
- Less than \$500,000 of RD money.

# ***Preservation Revolving Loan Fund***

## **Re-lending Program with Intermediaries**

- Demonstration in FY '05.
- More than \$6 million.
- 3 Applicants selected.
- Looking to close our first deal in several weeks.

# Multi-Family Housing FY '06 Funding

<b>Farm Labor (514/516)</b>	<b>\$52,000,000</b>
<b>Direct Loans (515)</b>	<b>\$99,000,000</b>
<b>Rental Assistance (521)</b>	<b>\$646,000,000</b>
<b>Preservation Grant (533)</b>	<b>\$9,900,000</b>
<b>Guaranteed Loans (538)</b>	<b>\$99,000,000</b>
<b>Demonstration Project</b>	<b>up to \$70,000,000</b>
<b>Preservation Revolving Loan Fund</b>	<b>\$6,300,000</b>

***Guaranteed Rural Rental  
Housing (538)  
FY '06 Obligations through 3/1/06***

- 16 Projects in 6 states selected.
- 780 units in those selected projects.
- Approximately \$19 million in loans.
- More than \$3.80 from other sources for each RD dollar spent (all projects have Tax Credits).

# Multi-Family Housing

## FY '07 President's Budget

<b>Farm Labor (514/516)</b>	<b>\$55,000,000</b>
<b>Direct Loans (515)</b>	<b>\$0</b>
<b>Rental Assistance (521)</b>	<b>\$486,000,000</b>
<b>Preservation Grant (533)</b>	<b>\$9,900,000</b>
<b>Guaranteed Loans (538)</b>	<b>\$197,000,000</b>
<b>Demonstration Project</b>	<b>\$74,000,000</b>
<b>Preservation Revolving Loan Fund</b>	<b>\$0</b>

## 06 - KEY Goal - Launch Demos

- Voucher - Work with HUD through PHA network to protect tenants in 2006 prepaid projects
- Restructuring - Build on 05 demo successes, but now use new tools
  - both NOFA's out during March
- both test CPA concepts for use in proposed legislation

Introduction to the 2006  
Multi-Family Housing  
Preservation and  
Revitalization (MPR)  
NOFA



# MPR NOFA Discussion

- Program Purpose and Goals
- Funding Opportunities
- Award Information
- Eligibility
- Pre-Application
- Selection Process
- Processing Selected Applications

# Program Purpose

- “The intended effect is to restructure selected existing Section 515 loans expressly for the purpose of ensuring that sufficient resources are available to preserve the rental project for the purpose of providing safe and affordable housing for low-income residents.”

# Program Goal #1

- Preserve the portfolio – is it worth it?
  - According to the CPA report submitted by ICF 7/29/04: “We believe that the 515 portfolio generally exhibits attributes of preservation worthiness.”
  - and “...we caution that property specific preservation decisions need to be made on a case-by-case basis, considering all the relevant facts, and in consultation with residents and other community stakeholders.”

# Program Goal #2

- **Revitalize the Portfolio - breathe new life into, make it healthy by:**
  - Appraising the current physical condition of each eligible project through a 20 year detailed Capital Needs Assessments (CNA)
  - Assure that “existing rental projects will be able to continue to deliver decent, safe and sanitary affordable rental housing for the lesser of the remaining term or 20 years from the date of the MPR transaction”.
  - Replenish the reserve account to a level that will assure the viability of individual projects for years to come.
  - Re-write and execute a new loan instrument that will tie the reserve account to the project and clarify the restrictive use agreement.

# Funding Opportunities

## Transaction Types

- Simple – debt deferral only
- Moderate – debt deferral plus one other Agency restructuring tool
- Complex – Moderate transaction plus 3<sup>rd</sup> party money. 538 loan may be available to 3<sup>rd</sup> party lender

# Funding Opportunities

## Available Tools

- Primary Tool – 20 year debt deferral on 1% 515 loans
  - The cash flow will be re-directed to reserve account deposits to help meet the physical needs of the property.
- Other tools
  - Grant up to \$5,000 per unit
  - 515 rehab loan at 0% over a 30 year period
  - Soft mortgage which will be paid from excess cash not from the normal project operation income
  - Subsequent section 515 loan at traditional rates and terms
  - Transfers, subordinations and consolidations may be approved as needed

# Funding Opportunities

## Conditions

- Property can provide decent, sanitary housing for 20 years or the remaining term of the loan whichever is less
- The applicant must sign a conditional commitment (MPRCC)
- Maximum of 20 years Restricted Use Provision (RUP) must be executed
- Rents may not increase for tenants, except when necessary to meet normal and necessary operating expenses.

# Award Information

- Public Law 109-97 is the authority for the MPR Demonstration.
- The Agency currently anticipates the following levels of funding:
  - \$165,894,000 in deferred debt
  - \$210,000 in grants
  - \$280,000 in 0% loans
  - \$7,571,000 in soft mortgages
- Total: \$173,951,000 distributed to approximately 200 properties (5,400 units)
- All funding must be approved no later than 9/15/06 and obligated by the agency no later than 9/29/06



# Selection Process

## NOFA Points

- Ownership
  - Stay in owner 25 points
  - Transfer with site control – 20 points
  - Transfer without site control – 10 points
- Contribution of non-agency 3<sup>rd</sup> party funds
  - Owner pays transaction costs (eg. CNA, legal costs, appraisals and filing fees) expected minimum of \$5,000 deposited into the property reserve acct prior to closing – 5 points
  - \$3,000 to \$5,000 per unit from other sources – 15 points
  - Greater than \$5,000 per unit from other sources – 20 points

# Selection Process

## NOFA Points (continued)

- Age of Project (based on initial loan)
  - prior to 12/21/1979 – 25 points
  - 12/21/1979 thru 12/14/1989 – 20 points
  - 12/15/89 thru 9/30/1991 – 15 points
  - After 10/1/1991 – 10 points
- Troubled Projects
  - C or D for less than 24 months – 15 points
  - C or D for more than 24 months – 25 points

# Selection Process

## Priority Ranking

1. The Agency will identify the highest scoring pre-applications whose section 515 loan's unpaid balance total approximately \$160 million
2. The Agency will identify the top 6 states with the most applicants
3. The Agency will place all the applicants in the top 6 states into corresponding queues for the transaction types (simple, moderate & complex)
4. The remaining applicants will be placed in the order of their scoring into the transaction type queues
5. The Agency will then select the top ranked projects in each queue to result in a ratio as close as possible to:
  - Simple – 30%
  - Moderate – 35%
  - Complex – 35%

# Processing Selected Applicants

- The selected applicants will be invited to sign an agreement to proceed
- If the applicant declines, the next highest applicant will be selected.
- RD will work with the applicants to:
  1. investigate each candidate to determine the proper transaction type and other tools available.
  2. Conduct a Capital Needs Assessment (CNA)
  3. Underwrite the loan
  4. Close the Loan

# The Concept of Revitalization\*

- Aging properties and owners
- Irreplaceable rural rental housing option
- Revitalization is “to extend and enhance the use of each MFH property that continues to serve the affordable housing needs in its community

# Revitalization Challenges

- Small Properties
- Rural Markets
- Limited Resources (RA, 515 Funds, Experienced Staff/Developers)
- Mission-Based Owners Available to Take on Toughest Challenges
- Outdated Servicing Regulations
- Highly Structured Prepayment Statute

# Toolkit in the Legislative Proposal

- Reduction of elimination of interest
- Partial or full deferral of payments by the project owner
- Forgiveness of debt
- Subordination of debt
- Reamortization of loan payments over extended terms
- Grants from the Secretary
- Payment of project owner costs associated with development of the long term use agreement
- Soft loans



# **USDA Voucher Demonstration Program**

**Rural Development  
Multifamily Housing  
Programs**





# Purpose of the Voucher Program

- **The USDA Voucher Demonstration Program is a one year program authorized by Congress to protect low-income tenants who live in USDA Section 515-financed properties that have had their USDA loans prepaid\* or foreclosed.**
- **USDA Vouchers will be available to eligible tenants living in the USDA financed property at the time of prepayment or foreclosure.**
- **In order for a property's tenants to be eligible for a USDA Voucher, the prepayment or foreclosure must occur between October 1, 2005 and September 30, 2006.**

*\* In this presentation references to prepayment will include foreclosure.*

# **Administration of the USDA Voucher Program**

- **The program will be administered primarily by the Department of Housing and Urban Development (HUD) on USDA's behalf under the terms of an Inter-Agency Agreement between the two organizations.**
- **HUD will use the network of Public Housing Authorities (PHAs) from its Section 8 Housing Choice Voucher Program to operate the USDA Voucher Program, to the extent that those PHAs are willing and available to participate in the program.**
- **If there is no available PHA for a particular location, RD or a 3<sup>rd</sup> party contractor (Other Administrative Entity or "OAE") will administer the USDA voucher program in that area.**

# **Who is Eligible for a USDA Voucher?**

- **Low-income tenant households (incomes below 80% of area median income) living at properties that prepay their mortgages between 10/1/05 and 9/30/06.**
- **Low-income tenants who were not previously receiving RD Rental Assistance are also eligible to receive a USDA voucher.**
- **USDA Voucher assistance is available regardless of whether a property prepaid with or without restrictions.**

# **What is the Value of the USDA Voucher?**

- **The USDA Voucher amount is the difference between the tenant's portion of the rent when prepayment occurs (the Net Tenant Contribution or NTC) and the comparable market rent for the unit.**
- **The value of the USDA Voucher will not increase, regardless of increases in the amount of rent for the tenant's unit.**
- **The value of the USDA Voucher will decrease if the tenant moves to a new property where the lease rent is less than the voucher amount.**
- **Household size and/or income are not factors in determining the value of the voucher BUT an increase in household income above 80% of median area income will disqualify a tenant household from continued use of a voucher.**
- **If utilities are charged to the tenant separately, the USDA Voucher will not cover the payment of utilities even if the tenant previously received a utility allowance from USDA.**

# **Determining the Value of the USDA Voucher – What's the Process?**

- **To expedite the issuance of USDA Vouchers for properties that have already prepaid, RD Field Offices may be responsible for determining the comparable market rent for the unit.**
- **In most cases for properties that have not yet completed the prepayment process, the comparable market rent will be determined by an independent 3<sup>rd</sup> party contractor who will be procured and paid for by National Office.**
- **The owner cannot appeal either the market rent determination for the property or the determination of the value of the voucher.**
- **A tenant is entitled to appeal the determination of the USDA Voucher's value.**

# **Where Can USDA Vouchers be Used?**

- **At the tenant's current residence, or at any other property if the tenant relocates, and the landlord will accept the USDA Voucher.**
- **The proposed residence, the property owner and the proposed lease agreement between the owner and tenant must be pre-approved by the entity administering the voucher (PHAs or an OAE).**
- **The USDA Voucher cannot be used at a public housing property or in conjunction with other voucher assistance (e.g., Section 8 housing or Section 8 vouchers)**

# **What are a Tenant's Options When An Owner Prepays?**

- **Remain at current residence under existing lease, paying the lease rent without a USDA Voucher or Rental Assistance. If tenant has Section 8, they may continue to use it.**
- **Apply for a USDA Voucher, remain at current residence, with owner's concurrence terminate the existing lease and sign a new lease that includes provision for payment of the voucher.**
- **Apply for a USDA Voucher, remain at current residence under terms of existing lease and on expiration of lease sign a new lease that includes provision for payment of the voucher.**
- **Apply for a USDA Voucher, locate a new residence and move to new residence with voucher on expiration of current lease.**
- **Tenants currently residing at a project-based Section 8 property may elect to remain in that property or apply for a USDA voucher.**
- **Tenants currently in possession of a Section 8 Housing Choice Voucher may elect to continue using that voucher or apply for a USDA voucher**

# **Obtaining & Using a USDA Voucher – What's the Process?**

- **Potentially eligible tenants will be provided with USDA Voucher application materials.**
- **Application for a USDA voucher must be submitted within 180 days of prepayment. If later, an income certification must be completed.**
- **Applicant must pass PHA or OAE's screening requirements.**
- **Applicant must locate proposed rental unit within 60 days of receipt of voucher.**
- **Proposed rental unit must pass a housing quality inspection (HQS).**
- **If tenant is remaining in place, tenant and owner must either agree to terminate existing lease and sign new lease OR sign a new lease on expiration of the existing lease. USDA Voucher payments can begin only when the new lease commences.**



# **Administration of USDA Voucher Program – What's RD's Role?**

## **Properties Where Prepayment has not Yet Occurred**

### **On receipt of the prepayment application, RD will:**

- **Notify tenants that a prepayment request has been submitted by the owner;**
- **Explain the prepayment process, possible outcomes and timeframes for these outcomes;**
- **Inform the tenants and owner of the availability of USDA vouchers and review the general requirements of the program.**
- **Order a Rent Comparability Study for the property (through the National Office contract).**

# **Administration of USDA Voucher Program – What's RD's Role? (continued)**

## **Properties Where Prepayment has not Yet Occurred (cont')**

**When approval to prepay is given, RD will:**

- **Complete and send a Voucher Determination Summary (VDS) to National Office**
- **National Office will send the VDS with property information, list of potentially eligible tenants and voucher amounts to HUD.**
- **Advise tenants how & where to submit an application for a USDA Voucher, when advised by HUD of who voucher contact will be.**
- **If there's no available PHA, engage OAE to act as USDA Voucher administrator.**

# **Administration of USDA Voucher Program – What's RD's Role?**

**(continued)**

## **Properties Where Prepayment has not Yet Occurred**

- **At the time prepayment occurs, RD will:**
  - **Notify tenants that prepayment has occurred.**
  - **In the event of appeals from tenants, facilitate their processing.**
  - **Conduct HQS inspections if PHA is not voucher administrator.**
  - **If necessary, certify or re-certify tenants' incomes (completed by RD's Centralized Servicing Center in St. Louis)**

# **Administration of USDA Voucher Program – What's RD's Role? (continued)**

## **Properties Where Prepayments Have Already Occurred**

**RD is expediting the voucher process for a few properties that  
have already prepaid. For those properties, RD will have the  
following additional responsibilities:**

- Receiving voucher applications.**
- Undertaking all market rent determinations.**
- Undertaking all HQS inspections.**
- Approving the form of lease between the owner and tenant.**
- Signing the HAP contract with the owner**
- Issuing vouchers to eligible applicants\***
- Remitting monthly voucher payments to owners\*.**

**\*HUD may be requested to assume these functions in due course**

# **Administration of USDA Voucher Program – What's PHA/OAE's Role?**

**Except as otherwise specified, the PHA or OAE will:**

- Receive the tenant's voucher application, screen in accordance with HUD's Housing Choice Voucher requirements and approve tenant.**
- Undertake HQS inspection of proposed rental unit.**
- Review and approve the proposed lease between the landlord and tenant.**
- Approve the owner for participation in the voucher program.**
- Sign HAP contract with owner and make monthly voucher payments.**

# More Information

See: [www.rurdev.usda.gov](http://www.rurdev.usda.gov)

## **Contact:**

**Stephanie White**

**Director Multifamily Housing Portfolio  
Management Division, at:**

**Phone: 202-720-1615**

**E-mail: [Stephanie.White@usda.gov](mailto:Stephanie.White@usda.gov)**

**OR**

**Janet Stouder, Deputy Director, Multifamily  
Housing Portfolio Management Division, at**

**Phone: 202-720-9728**

**E-mail: [Janet.Stouder@usda.gov](mailto:Janet.Stouder@usda.gov)**

## 06 - KEY Goal - Fix handbooks

Address backlog

Releases at least once a month

Based on priorities

We seek your continued feedback

# 06 - KEY Goal - Build better working relationships

N/O to Field - listen, research, decide,  
communicate

Field to N/O - discuss, find solutions,  
work within direction

Agency to public - work with others  
to solve problems



# The End

## Multi-Family Housing

